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November 15, 2012

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Arizona Corporation Commission
DOCKETED

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Paul Newman
Commissioner
Arizona Corporation Commission
Commissioners Wing
1200 W. Washington - 2nd Floor
Phoenix, Arizona 85007

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Dear Commissioner Newman,

The Center for Resource Solutions (CRS) appreciates the opportunity to provide input to the Arizona Corporation Commission (the Commission) on the proposed Track and Record option for utilities to use kilowatt-hours (kWh) from interconnected distributed generation (DG) for compliance with Arizona's Renewable Energy Standard and Tariff (REST), instead of using Renewable Energy Certificates (RECs). CRS is a nonprofit organization that creates policy and market solutions to advance sustainable energy and mitigate climate change.

CRS administers Green-e® Energy, the nation's leading independent certification and verification consumer protection program for renewable energy sold in the voluntary market. Green-e Energy certifies and verifies over two thirds of the U.S. voluntary renewable energy market and an even higher proportion of U.S. voluntary REC sales. CRS's role in this market is to protect the voluntary consumer against double counting and false claims, and ensure the purchaser of renewable energy that they are receiving all of the attributes of renewable energy generation that they were promised.

A Track and Record approach uses kWh from interconnected DG for REST compliance and will negatively impact the voluntary market for RECs in Arizona, as well as complicate utilities' REST compliance obligations. As I am sure you are aware, REST currently requires Arizona utilities to procure RECs for compliance obligations, not kWhs.¹ Without a corresponding change in the REST legislation, utilities will be unable to use kWh from interconnected DG facilities for REST compliance.

Enabling utilities to use kWh from customer DG facilities instead of RECs for REST purposes would effectively destroy the market for voluntary RECs from DG in Arizona, and may prevent such RECs' access to other RPS markets as well. The Arizona voluntary REC market is thriving, in large part because the owners of DG facilities are able to claim the RECs produced from the renewable energy and sell them in either the voluntary or the compliance market. In 2010, Arizona had approximately 3,200 residential customers and 80 non-residential customers purchase renewable energy in the voluntary market, and Arizona renewable generators generated nearly 28,000 MWh that were sold into the voluntary REC market.²

WREGIS and independent REC certification organizations like Green-e Energy require that RECs be fully aggregated, and that none of the attributes of renewable energy generation have been stripped, sold

¹ See *Renewable Energy Standard and Tariff*, §R14-2-1805, available at <http://www.azcc.gov/divisions/utilities/electric/res.pdf>.

² Data collected from Green-e Energy Verification 2010.

separately, or double counted. Under the Track and Record approach kWh from the renewable DG facility are effectively credited to the utility company for REST compliance. Use of the renewable kWh to meet or determine a compliance obligation renders the DG customer's REC effectively taken and used by the utility. Unless the utility purchased or otherwise contractually received the REC, the utility would be double counting the REC that rightfully belongs to the DG owner, resulting in the DG owner being unable to sell their REC into the voluntary market or, potentially, other states' RPS markets. If any Arizona DG owners are tracking their RECs in WREGIS, selling their RECs would be in violation of the WREGIS Terms of Use, which require all RECs tracked in the system to be fully bundled and not have attributes counted or claimed elsewhere.

A similar proposal was adopted in Hawaii with devastating effects on the voluntary market for DG RECs.³ When Hawaii modified its RPS eligibility rules to count all customer-sited, grid-connected renewable generation toward the state's RPS goal, Green-e Energy disallowed RECs generated in Hawaii from participating in the program to prevent the double counting of the renewable attributes.⁴ This decision has effectively eliminated the opportunity for renewable generators in Hawaii to participate in the voluntary REC market, an outcome that would also affect Arizona DG customers should this proposal move forward.

Finally, using the Track and Record approach for REST compliance would create tremendous administrative complexity by requiring the utility to track, by sector, whether they are using kWhs or RECs to meet their REST targets. This creates an unnecessary administrative burden, both on Arizona utilities and the Commission and potentially exposes the Commission to Takings Clause challenges.

CRS encourages the Commission to reject the Track and Record approach to REST compliance, and to pursue alternative market mechanisms that would enable utilities to purchase and aggregate RECs from DG to count towards REST compliance. Solutions such as a standard offer to DG customers for their RECs or using REC brokers to help aggregate DG RECs for sale to utilities will maintain the stability of the existing voluntary REC market, and avoid unnecessary expense and uncertainty associated with a radical change to REST eligibility and compliance.

CRS believes that this market based approach is the best option, however if this option is not viable there may be another option that would retain viability of the voluntary REC market, thereby allowing Arizona generators to sell RECs out of state. It may be possible to craft a compliance obligation waiver that preserved the value and ownership of the REC. Such a policy would need to be carefully constructed, applied and enforced such that the waiver was not dependent on renewable kWh of generation by DG facilities. Further, the Commission and utilities would need to be very clear that the utilities are not meeting their REST obligations. CRS strongly recommends that for whatever compliance amount of DG RECs are waived, that an equal amount of replacement Arizona solar RECs be attained. Replacing the DG RECs previously required under the REST will have the impact of reducing the likelihood of confusion as to the amount of renewable kWh actually delivered to Arizona customers.

³ See *Green-e Energy National Standard*, Center for Resource Solutions, 22 (2011). Available at: http://www.green-e.org/docs/energy/Appendix%20D_Green-e%20Energy%20National%20Standard.pdf.

⁴ *Id.*

CRS urges the Commission to consider the impact of the Track and Record proposal on Arizona renewable energy generators and customers and to ensure that the renewable energy industry continues to thrive in Arizona. Thank you for accepting and considering our input. Please do not hesitate to contact us should you have questions regarding the Green-e Energy program or the impact of this proposal on the voluntary renewable energy market in Arizona.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robin Quarrier', with a long horizontal flourish extending to the right.

Robin Quarrier

Counsel

Center for Resource Solutions

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